

Message Text

LIMITED OFFICIAL USE

PAGE 01 TEHRAN 06397 191154Z
ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
EPG-02 DODE-00 EB-07 FEAE-00 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /100 W
-----113292 191226Z /50

R 191031Z JUL 77
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 3636
INFO USDOC WASHDC
AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMCONSUL DHAHRAN

LIMITED OFFICIAL USE TEHRAN 6397

E.O.11652: N/A
TAGS: BEXP, ENRG, IR
SUBJ: OIL BARTER: US FIRM MCA ENGINEERING CORPORATION'S
OIL BARTER PROPOSAL FOR CONSTRUCTION WORK

REF: (A) TEHRAN 4233, (B) TEHRAN 2059 (NOTAL)

1. PRESIDENT OF MCA ENGINEERING CORPORATION OF BALTIMORE, MARYLAND (EDMUND F. HAILE AND GENERAL MANAGER MCA/IRAN (FRED MIRMIRAN) CALLED AT EMBASSY JULY 18 TO BRIEF EMBOFF ON DEVELOPMENTS RE MCA'S PROPOSAL ON THE CONSTRUCTION OF THE ISFAHAN/AHWAZ HIGHWAY FOR OIL BARTER. CONSTRUCTION COSTS WILL TOTAL BETWEEN 1 AND 1.5 BILLION DOLLARS OVER FIVE YEAR PERIOD AND THE MINISTRIES OF ROADS AND ECONOMIC AFFAIRS AND FINANCE HAVE TOLD MCA THAT THE GOI WISHES TO BARTER OIL IN EXCHANGE FOR COST PLUS CONTRACT ON THE CONSTRUCTION. (SEE REFTELS)

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TEHRAN 06397 191154Z

2. THE MCA REPS SAID THAT THE BALTIMORE FIRM WHICH HAD INITIALLY EXPRESSED AN INTEREST IN TAKING THE CRUDE HAD IN THE END DECLINED TO PARTICIPATE. MCA HAS NOW REACHED AGREEMENT IN PRINCIPLE WITH MARK RICH COMPANY OF NEW YORK, A MINERALS AND METALS TRADER, TO TAKE THE IRANIAN CRUDE AT A 2-1/2 PERCENT DISCOUNT FROM THE OPEC POSTED PRICE. THIS 2-1/2 PERCENT

DISCOUNT WOULD COME OUT OF A 9-1/2 PERCENT PROFIT MARGIN WHICH WOULD BE BUILT INTO THE COST PLUS CONTRACT. THE MCA REPS WERE REASONABLY OPTIMISTIC THAT THE MINISTRY OF ROADS WOULD AGREE TO A COST PLUS CONTRACT OF THIS ORDER OF MAGNITUDE.

3. AS REPORTED EARLIER (PARA TWO, REFTEL A), MCA HAS BEEN UNSUCCESSFUL IN INTERESTING ANY US CONTRACTOR IN TAKING ON THE WORK. NEARLY A DOZEN US CONTRACTORS EITHER REFUSED TO UNDERTAKE WORK IN IRAN OR INSISTED UPON TOTALLY RISK FREE PROVISIONS WHICH WOULD HAVE BEEN IMPOSSIBLE TO OBTAIN FROM THE GOI. IN THE END, MCA TURNED TO FOREIGN CONTRACTORS AND HAS NOW REACHED AGREEMENT WITH COLAS OF FRANCE AND TESSA CONSTRUCTION OF TEHRAN TO UNDERTAKE THE ACTUAL CONSTRUCTION OF THE ROAD. THE MCA REPS ASSUMED THAT IRANIAN FIRM WOULD PERFORM ABOUT FIFTY PERCENT OF THE WORK, FRENCH FIRM THIRTY FIVE PERCENT OF THE WORK AND MCA FIFTEEN PERCENT. CA WILL BE RESPONSIBLE FOR THE DESIGN AND ENGINEERING WORK IN THE CONTRACT WHICH WOULD BE LARGELY PERFORMED IN THE UNITED STATES.

4. MCA'S PRESIDENT THOUGHT THAT THE FIRST STAGES OF NEGOTIATIONS COULD BEGIN IN OCTOBER AND WOULD REQUIRE ABOUT THREE TO FOUR MONTHS TO COMPLETE. HE CONCEDED THAT THE NEGOTIATIONS WOULD BE LONG AND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TEHRAN 06397 191154Z

ARDUOUS BUT THOUGHT THAT A NUMBER OF MAJOR HURDLES HAD ALREADY BEEN OVERCOME. THE MARK RICH COMPANY HAS DONE BUSINESS WITH NIOC IN THE PAST AND APPARENTLY FEELS THAT THE OIL CAN BE MARKETED IN COUNTRIES WHICH ARE NOT ALREADY CUSTOMERS OF NIOC. SPAIN IS THOUGHT TO BE A LIKELY POSSIBILITY.

5. COMMENT: THE EMBASSY IS GRATIFIED, OF COURSE, THAT MCA'S EFFORTS TO OBTAIN THIS ROAD CONSTRUCTION WORK HAVE THUS FAR PROSPERED, PARTICULARLY SINCE EMBASSY HAD SUGGESTED MARK RICH TO MCA AS A U.S. FIRM INTERESTED IN OIL BARTER IN IRAN. IT WILL NOT BE EASY, HOWEVER, TO BRING THIS PROPOSAL TO FRUITION. THE GOI'S MINISTRY OF ROADS IS BADLY ORGANIZED AND OFTEN DIFFICULT TO DEAL WITH. IF COMPLICATIONS ON THE COSTS ARISE DURING THE NEGOTIATIONS, OR EVEN IF THEY DON'T, THE MINISTRY IS QUITE CAPABLE OF INVITING IN OTHER FIRMS, PLAYING EACH AGAINST THE OTHER TO GET THE LOWEST PRICE. TOO, THE GOI'S APPETITE FOR BARTER MIGHT DIMINISH IF THERE WERE TO BE A SUDDEN AND SUSTAINED SURGE IN DEMAND FOR IRANIAN CRUDE LATER THIS YEAR. THE PITFALLS ARE NUMEROUS AND MCA COULD SPEND A FAIR SUM ON ITS DESIGN WORK ONLY TO SEE ITS

PROPOSAL FOUNDER IN THE END. BUT THE COMPANY
SEEMS AWARE OF THE RISKS AND IS DETERMINED TO
PURSUE THE CONTRACT TO THE END. THE EMBASSY WILL
KEEP THE DEPARTMENT INFORMED OF DEVELOPMENTS.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, ENGINEERING, CONSTRUCTION
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TEHRAN06397
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770268-0339
Format: TEL
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770741/aaaabjbs.tel
Line Count: 121
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 734e9a67-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 TEHRAN 4233, 77 TEHRAN 2059
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1813006
Secure: OPEN
Status: NATIVE
Subject: OIL BARTER: US FIRM MCA ENGINEERING CORPORATION'S OIL BARTER PROPOSAL FOR CONSTRUCTION WORK
TAGS: BEXP, ENRG, IR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/734e9a67-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009